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railroads--the investor

Evansville, Indiana

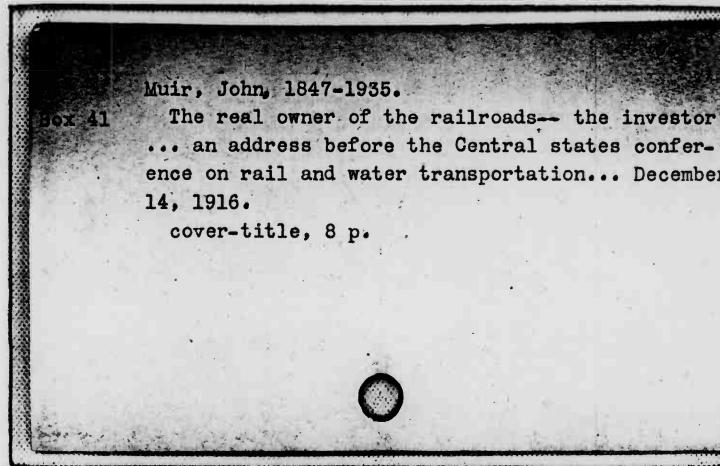
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The Real Owner of the Railroads— The Investor

Why He Is Worried Over the Present Situation and How
Fair Treatment Will Induce Him to Supply a
Solution of Present American Trans-
portation Problems

An Address Before
The Central States Conference
on
Rail and Water Transportation

By

JOHN MUIR
Chairman, Railway Investors' League

December 14, 1916

Evansville, Indiana

For the first time in the history of railroading a program bringing together all the complex elements which go to make up the railroad situation was arranged under the auspices of the Evansville (Indiana) Chamber of Commerce, to take place in that city on December 14 and 15. Railroad presidents, leaders of railway labor unions, members of commissions which regulate the railroads, counsels for railroads, shippers and representatives of the great army of investors in railroad stocks and bonds were present.

Among those on the program to make formal addresses were Alfred P. Thom, Counsel of the Railway Executives Advisory Committee on Federal Legislation; Mr. Frank Trumbull, Chairman of the Railroad Executives Advisory Committee; Frank P. Walsh, Chairman of the Federal Commission on Industrial Relations; Clifford Thorne, Chairman of the Board of the Railway Commissioners of Iowa; W. G. Lee, President of the Brotherhood of Railway Trainmen.

Any discussion on the subject of rail and water transportation or any sound analysis of the present condition of American transportation cannot be complete, cannot secure effective remedies without the participation of the real owners of the railroads—the investors.

Quietly, but with a steadiness which has accomplished marvelous results, there has been going on, for the past ten years, with cumulative force, the persistent absorption of railway stocks and bonds of the leading railway systems of the country by the man of moderate means, the small investor.

Starting with the 1907 panic, known in Wall Street as the "Rich Man's Panic," there has been a steady and rapid increase in the individual number and amount of securities held. The result has been that, whereas in 1901 many leading railroads were owned by a few hundred or at most thousands of investors, now men (and women too) with moderate amounts of money who were impressed with the opportunity to secure liberal and permanent income are the chief owners. Coincident with the opportunity, there developed, among financial houses, firms specializing in service to the small investor, firms which studied his needs, catered to his wants, selected with care the security desired, whether a single share of stock or a single hundred dollar bond. And what is now the result? Listen to this short array of official figures as to number of stockholders given out by the larger railroad systems:

Atchison.....	1901, 1,300	today, 45,000
Pennsylvania.....	1901, 27,000	today, 94,000
C., M. & St. P.	1901, 5,000	today, 17,000
Gt. Northern.....	1901, 1,700	today, 25,000
Baltimore & Ohio.....	1901, 3,200	today, 27,000
Southern Pacific.....	1901, 1,500	today, 33,000

and so on down the list.

The New Wall Street

And let me state right here a word for Wall Street. I have a right to say it, because, first, I am a railroad man of extensive western traffic experience, and, second, because today and for the past twenty years, I have had practical experience in Wall Street with the hydra-headed and hard-headed small investor. Wall Street has changed very much during the past ten years. Many houses now have thousands of customers, where houses doing a larger business have only hundreds. This is due to the immense detail, the careful painstaking work required, to meet the needs of the small investor. Wall Street is no longer a

gambler's paradise. It is a section of hard work, devoted to research to obtain facts and information to guide the thrifty, how and what to buy. It is to Wall Street earnest minded people come with their savings to buy in small quantities securities representing the best lines of transportation in the country.

During this period of increasing popular participation in investment, I have been actively interested in the work and I know whereof I speak, but my experience previously was distinctly in the railroad field. I think I can present evidence entitling me to membership among the railroad men who helped build up the middle and far West.

Some Past Experience

I am presenting this evidence in order to anticipate the objection which we are all likely to cite when another factor intrudes in a discussion which we have come to consider limited to a certain class of debaters. So please absolve me of any charge of egotism when I say that forty years ago I was general freight agent of the Kansas Pacific Railway, the only trunk line of Kansas running from the Missouri River to the Rocky Mountains. I saw Kansas emerge from her scourging by grasshoppers and drought to a state of continuous rich crops and plenty. Thence I went to the great Northwest Pacific coast, where existed a complicated transportation system of river, rail, ocean and sound. I transformed the measurement basis of transportation charge to that of weight. The rate on a horse, for instance, was reached by measuring from the tip of his nose to the end of his tail (we didn't allow for cropped tails) and charged on the basis of 40 cubic feet per ton of space occupied. On the completion of the Northern Pacific R. R., I became traffic manager of the new transcontinental line, which revolutionized the making of through rates to the Pacific coast. All of that great development I saw; part of it I was. Later, thirty years ago, I became traffic manager of the Chesapeake & Ohio R. R., now so ably represented by our friend, Mr. Frank Trumbull.

In the recent history of railroading and in the present discussion on railway development, the great army of investors in railway securities have not taken a prominent part. They have taken hardly any part, but on the basis of a practical railroad experience and on the basis of a practical investment experience, I believe it is in approaching present problems from the standpoint of the investor that we are most likely to reach a proper solution.

Throughout the country, there is a great army of investors ready to supply money for the railroad develop-

ment which the country so badly needs. If these investors can be convinced that capital invested in the railroads will be given proper consideration in the solving of all problems, that most pressing problem, the raising of the great amount of money needed for new construction and development, can be easily solved.

Now let me get down to the present status of this matter.

The Present Conflict

There is at present a conflict raging between two elements in the railroad transportation business.

On one side, are the directors and executives of the railroads. On the other side, are the four brotherhoods of engineers, firemen, conductors and trainmen. The brotherhoods, 400,000 strong, united and alert, say with one voice, "We must have more pay or shorter hours or both or we'll strike." The executives answer, "With our restricted rates and higher cost of operation, we cannot grant your request." A deadlock occurs, the matter is appealed to the President and he, to avert a calamity, promises to grant, through Congress, what the roads deny.

The investors, 600,000 strong, the real owners of the properties, scattered all over this country, having an immense power vested in them, unorganized, are unable to come forward with the combined voice of even a paltry dozen. They are uneasy. They chafe. They hesitate. They ask the question, "How about future investments in railroads torn by dissension between executives and employees?"

They finally evolve this thought: The executives of the road represent us and, in the main, do it satisfactorily; but, owing to the fact that there is prejudice against them in Congress, in the Commissions, and in the mind of the public, they can't, in their official capacity, exert as much influence in certain fields as we could if we should act for ourselves independently. Let us get together and let us, the owners of the roads, show to Congress and the Commissions that political influence and voting power are not wholly confined to shippers and the four brotherhoods.

The investors, in addition to thinking in this manner as to the attitude existing between their railroad executives and the brotherhoods, evolve another thought, as follows:

We are the real owners of the railroads. It is our money which is invested, therefore, you, the brotherhoods, are our employees. Now what is the matter? We are 600,000 strong; you are 400,000 strong. You are organized; we

are not. You have put one over on us, because you are organized, but it is unfair. It won't stand the test. Let us talk over our grievances. You have yours. We have ours. We can't pay what you demand unless we are helped. Instead of snarling and quarreling with your executives, let us together find the solution of the matter and, when we get what we ought to have (and we ask you to help us get it), you may be sure that we in turn will allow you what you must see under this high cost of operation we cannot grant.

At Cross Purposes

Now, gentlemen, you must see, in the present condition of this conflict between the railroads and their employees, that they are working at cross purposes.

The great army of railroad brotherhoods have been forehanding. Upon small contributions from their wages and with skilful and astute leadership, they have built up a power and force which have enabled them to go before the highest authority in the land and demand and obtain a promise of increased pay upon threat, if not granted, of closing up the traffic of the country.

These 400,000 employees of 600,000 investment owners, of our \$20,000,000,000 national transportation system, did this. How did they get away with it? Was it because their numerical strength made them politically formidable? Is this big free country to be coerced by such tactics?

And right here, is it not logical to ask if the brotherhoods can by this threat obtain higher wages why can they not by similar threat more simply solve this problem and obtain for their employers, the railroads, higher rates to enable them to pay higher wages?

"It is well to have a giant's strength, but it is tyrannous to use it as a giant."

Now I submit that the brotherhoods, in taking the course which they did, committed a great mistake. If an employee of mine comes into my office with pistol in hand and says to me, "Mr. Muir, I want you to raise my pay. If you don't, I will blow your head off." I tell him at once to clear out. But if he comes to me and says, "You are making money. My pay is not enough under this increased cost of living. Will you not raise it?" I immediately reason with him and devise ways and means to satisfy him.

This course of the brotherhoods will not stand the test. The railroads, under present conditions, cannot stand for the demand of the brotherhoods and continue successful operation. If the brotherhoods

had used the same influence and force with the same authority in Washington in presenting the needs of the railroads and gained for their employers what they *think* they have secured for themselves, the railroads would to-day be able to meet their demands.

The Real Owners

And where in this controversy stand the 600,000 rail-way investors, who embody the great force that lies latent in the owners of the railroad property? Nobody ever hears a peep from them, and Congress and the Commissions simply ignore them as if they were a negligible quantity. That is not the way to carry on an effective campaign. Why shouldn't they appear by means of their own chosen representatives, before the Newlands Commission or whatever body may finally be appointed to crystallize conclusions on, this all-important problem? Why shouldn't they, as an organized and politically formidable body, bring their influence to bear on the press and on the public? Of course, their representatives in the persons of presidents, legal counsel, etc., appear and speak for them, but we all know very well that isn't the same thing, because the public prejudice is against the managers of the railroads, not against the stockholders who own them. It is of supreme importance that the owners should be satisfied, because it is they who furnish the funds to develop the sections of country not now properly supplied with transportation facilities. It is the owners that Congress and the Commissions ought to hear from, and the owners are as dumb as oysters and as powerless as jellyfish with no solidarity or means of expression.

And now *The Saturday Evening Post* says, "In the face of a billion net last year, railroad managers and investors in railroad securities are wondering what the situation will be after the boom, if public regulation of railroads is applied in as narrow and jealous a spirit as it was for some years before the war. Individual shippers may applaud when a particular rate they are interested in is cut down. Farmers here and there may be fooled into thinking that the lowest possible freight rate which does not throw the carriers into actual bankruptcy is to their interest. But it is very certain that, for the country at large, regulation in that haggling oppressive spirit does not pay."

I quote from the Bible when I say, "Beware of the withholdings which leadeth to poverty."

You have no doubt seen that the present condition of the railroads has been likened to a man suffering from hardening of the arteries. This is a striking simile, but I cannot fully subscribe to it. Hardening of the arteries

means age, decay and approaching dissolution. This is not the case with this country. We are young, vigorous and have plenty of rich virgin sections yet to open and cultivate. But we are hampered and hemmed in by the wants of this growing nation. We need blood to pulsate through these arteries. The thousands and tens of thousands of small investors stand ready to furnish the means to inject blood in the shape of rails, ties, rolling stock, terminal facilities, to develop these new fields. But they hesitate and fight shy of new propositions where, by the lesson of last summer, they see that their employes' demands are satisfied and taken out of the earnings of the railroads by the Government and their own rights for proper compensation are ignored.

Purpose of the League

Now, the Railway Investors' League has been organized to consolidate, for protective action, that immense power and influence possessed, but heretofore unused, by hundreds of thousands of unorganized investors.

The League is neither anti-labor nor political. Its aim is to secure fair play alike from railroad managers, railroad workers, railroad regulatory bodies and political parties. It will oppose unfair tactics, whether attempted by federal or state government bodies, by railroad managements or railroad employes. It is "anti" nothing—save unjust practices from above or below, from without or within.

This is The Railway Investors' League which is now growing like a young giant and to which we want every man or woman who owns one share of stock or one thousand, one hundred dollar bond or thousands, to belong and to support this immense power for fair play—fair play for owners and employes, for shippers, for the public and for the country.

Mr. Paul Mack Whelan, the secretary of the League, is here. He will furnish the platform of the League, and, if you are in sympathy and accord with its object and purpose, enroll yourself now. More especially do I invite co-operation and enrollment from the members of the brotherhoods. There is not one idea or sentiment in The Railway Investors' League incompatible with the brotherhoods' desire to obtain fair play from their corporations and for their corporations. Instead of being 400,000 and 600,000, let us make it a million, combined to assert, maintain and defend our rights.

Brothers of the brotherhoods, are you with us? If so, come forward now and act jointly with us.

JOHN MUIR, Chairman,
Railway Investors' League.

December 14, 1916.

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